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FISCAL IMPACT STATEMENT

LS 7379

BILL NUMBER: HB 1501

NOTE PREPARED: Jan 20, 2007

BILL AMENDED:

SUBJECT: Health Care Projects.

FIRST AUTHOR: Rep. Orentlicher

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: *Health Care Management Demonstration:* This bill requires the Office of Medicaid Policy and Planning (OMPP) to establish a demonstration project for a health care management program similar to that of the federal Quality Enhancement Research Initiative for Medicaid recipients. The bill requires OMPP and the Health and Hospital Corporation of Marion County (HHC) to study the impact of the program, and requires OMPP to apply for an amendment to the state Medicaid Plan or a demonstration waiver to implement the program.

Small Employers Health Care Benefits Pilot: The bill also requires OMPP to work with the HHC to develop a pilot project for small employers to obtain health care coverage for employees. The bill prohibits application of certain insurance contract clauses to HHC by insurers if health coverage meeting certain requirements is made available to small employer groups through the pilot project. It also requires OMPP to apply for any applicable demonstration waiver.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary:* The bill requires OMPP to apply to the Centers for Medicare and Medicaid Services (CMS) for any state plan amendment or waiver application that may be necessary to conduct a demonstration project and a pilot project with the Health and Hospital Corporation of Marion County. The demonstration project would involve assigning a percentage of Marion County Medicaid recipients to receive Medicaid services from Wishard Hospital and the clinics operated by the HHC. The pilot project would involve developing a model for small employers to provide health care benefits for their employees. Medicaid waivers by definition must be fiscally neutral. The Health Care Management Demonstration Project could not cost the state more than the assigned group would cost under

a previously assigned managed care organization or fee-for-service arrangement. The Small Employers Pilot Project funding requirements would depend on the program design, the individuals eligible, federal approval, and other administrative actions and is indeterminate.

The waiver application process is not without opportunity costs. Waiver applications are generally developed and submitted by the existing staff in OMPP. Applications must be developed and adequately justified. If CMS has questions or requests additional information, staff must be available to respond within specified time lines or the request is considered expired. If the waivers are subsequently approved, OMPP must implement the services and fulfill the waiver reporting requirements, including the critical fiscal neutrality reports. OMPP is now operating eight waivers.

Background Information -

Health Care Management Demonstration Project: The demonstration project would involve designing a program that would assign a percentage of Marion County Medicaid recipients to receive Medicaid services from Wishard Hospital and the clinics operated by the HHC. The waiver group would receive health care services based on a specified Veterans' Administration model. (See *Explanation of Local Expenditures* for the program requirements.)

In FY 2004, Medicaid reported 151,419 total Medicaid enrollments for Marion County. Of the total, 66% were participating in Hoosier Healthwise Managed Care or Primary Care Case Management. The remaining 34% consisted of fee-for-service patients and Medicaid Select enrollment. The demographic composition of the Medicaid eligibles that would be assigned to the demonstration project is not specified by the bill, although the group must be large enough to obtain meaningful data. Administrative actions would determine if the demonstration population would consist of specified populations inclusive of pregnant women, TANF adults, children, the aged, or the disabled. The demonstration project would, similar to a managed care organization (MCO), require the waiver of the Medicaid recipient's freedom of choice of provider selection and could potentially require patient reassignment from existing MCOs or Medicaid Select providers.

The bill requires the Office to conduct a study in consultation with the Regenstrief Institute for Health Care to determine the impact of the program on quality of care and cost. The cost of the study will be determined partially by administrative actions that establish the size and the demographic composition of the recipient group assigned to the demonstration.

The program design is required to include incentive payments for providers and administrators to reward them for achievement of defined objectives. The bill does not specify the means of payment for services provided to Medicaid recipients (e.g., fee-for-service or capitation). This would be determined by administrative action in the development and design of the demonstration project. How an incentive payment would interact with the method of payment for services would influence the ultimate cost of this provision.

Small Employers Health Care Benefits Pilot: The bill requires OMPP and the HHC to develop a pilot program through which small employers unable to provide health care benefits for their employees may obtain access to affordable health insurance. The bill specifies that if the pilot project results in a premium rate that is 20% lower than a comparable health benefit plan available to small employer groups, an insurer may not enter into or enforce a "most favored nation" clause in an agreement with the HHC (i.e., an insurer would not be able to require the HHC to offer the same discounted prices to the insurer).

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at

approximately 62% by the federal government, while the state share is about 38%. Funding for administrative services is typically shared 50/50.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures: The bill would require the Health and Hospital Corporation to establish and implement a program for a defined group of Medicaid recipients that is modeled after the U.S. Department of Veterans Affairs' Quality Enhancement Research Initiative, or QUERI program. QUERI is a comprehensive, data-driven, outcomes-based, quality improvement program that utilizes a six-step process to facilitate the implementation of research findings and evidence-based clinical practices to achieve better health care outcomes for patients. Similar to the Disease Management Program, the steps in the QUERI process are:

- (1) Identify high-risk/ high-volume problems or diseases;
- (2) Identify best practices;
- (3) Define existing practice patterns and outcomes and the current variation from the best practices;
- (4) Identify and implement interventions to promote best practices;
- (5) Document that best practices improve outcomes; and
- (6) Document that outcomes are associated with improved health-related quality of life.

The bill also requires the HHC and OMPP to develop a pilot program through which small employers unable to provide health care benefits for their employees may obtain access to affordable health insurance.

Explanation of Local Revenues: See *Explanation of State Expenditures* regarding incentive payments required for the demonstration program.

State Agencies Affected: Family and Social Services Administration, OMPP.

Local Agencies Affected: The Health and Hospital Corporation of Marion County.

Information Sources: U.S. Department of Veterans Affairs, Health Services Research and Development, website at: <http://www.hsrdr.research.va.gov/queri/>.

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